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'Go-Go' Setback

Some 'Growth' Funds Post '68 Gains Trailing Dow-Jones Industrials

Computer and Conglomerate Stocks They Favor Lag While 'Staid' Issues Rise

Too Large to Be Flexible?

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NEW YORK—Definition of a "growth" mutual fund: A fund that has grown little, if at all, this year.

That definition doesn't fit all the growth funds—also known as "performance" funds or "go-go" funds or—that have mushroomed on Wall Street in recent years. But it fits enough of them to be a source of deep embarrassment to their managers—and deep frustration to their army of shareholders.

Disregarding high dividend income as an investment goal and willing to take risks, the growth funds aim strictly at multiplying their shareholders' money. To that end, they concentrate on buying stocks their managers expect to rise much more sharply in price than the ordinary run of securities.

In 1967, they had a banner year. Scores of performance funds recorded gains in the net asset value of their shares (derived by dividing the value of their investments by the number of outstanding shares) double, triple or quadruple the 15% rise scored by the Dow-Jones industrial average of 30 blue-chip stocks. That average is widely cited in fund sales literature as representative of the performance that might be expected from an "unmanaged" investment portfolio.

Changing Fashions

But this year market fashions have changed in a way most growth fund managers did not expect. "Glamor" issues of computer, electronics and conglomerate companies, in which the growth funds have invested billions of dollars, have mostly turned in a lackluster price performance. Shares of banks, insurance companies, cement makers and even utilities have been this year's market stars—to the surprise of the performance funds, which mostly have spurned such issues as historically unexciting.

Result: As recently as the end of September, many prominent growth funds showed declines in the net asset value of their shares for the year. And though a sweeping rise in the market the last few weeks has now hauled most of them into the black for 1968 to date, many still show smaller gains for the year than the Dow-Jones industrial average, the most widely used measure of overall stock market trends.

The table below shows percentage changes in net asset value of shares of the best-known performance funds for all 1967, the first nine months of 1968 and 1968 through last Wednesday, compared with percentage changes in the Dow-Jones industrials for the same periods. Data on the funds has been excerpted from weekly performance rankings by Arthur Lipper Corp., a brokerage concern. Fund figures assume reinvestment by shareholders of dividends and capital gains distributions.

Fund	% *All* *1967*	% *First 9 Mos.* *1968*	% *To* *11-27*
Manhattan	**+39.4**	**−3.87**	**−1.96**
Ivest	**+47.4**	**−3.39**	**+2.57**
Mass. Investors Grth	**+29.0**	**−0.63**	**+4.39**
Fidelity Capital	**+32.1**	**+1.32**	**+5.33**
Diversified Growth	**+51.5**	**−1.25**	**+5.70**
Channing Growth	**+47.0**	**−1.39**	**+6.93**
Fidelity Trend	**+34.2**	**+2.38**	**+6.97**
United Science	**+31.2**	**−0.41**	**+7.86**
D-J ind. average	**+15.2**	**+3.40**	**+7.87**

Some other ways of measuring the growth funds' record also yield unflattering comparisons. For instance, about a third of the 160 growth funds on which the Lipper firm keeps score had recorded gains through Nov. 27 smaller than the 13.15% increase posted by the New York Stock Exchange price average of all common stocks listed on the Big Board. Meaning: These funds would have done better if they had followed the totally unselective policy of putting equal amounts of money into each of the more than 1,200 Big Board common issues. (On the other hand, it must be noted, the top third of the 160 growth funds ranked by Lipper have scored 1968 gains ranging from 23% to 167%.)

Outgrowing the Growth Funds

Ironically, too, some of the best-known performance funds have been beaten at their own game by funds that aim at different investment goals. Among funds that seek a combination of capital growth and high dividend income, for instance, Affiliated Fund, Investment Co. of America, United Income Fund and Fidelity Fund showed gains of 18% to 20% in net asset value through last Friday.

Among funds that concentrate on income, Puritan Fund showed a gain of nearly 19% and National Securities Dividend Fund a gain of about 26%. And Wellington Fund, a giant among the "balanced" funds that seek to minimize risks by dividing their investments among stocks and bonds, has scored a gain of nearly 12% so far this year, outperforming many of the performance funds.

"It's been a brutal year for performance," says Milton Mound, president of First Multifund of America, which invests in shares of other mutual funds. The candid manager of a growth fund assesses the growth funds' 1968 performance as "horrendous."

Some performance-fund shareholders have been registering disapproval, too—by turning in their shares for redemption at net asset value, as mutual-fund shareholders can do at any time. Manhattan Fund, started early in 1966 by Gerald Tsai, who had earned a reputation as something of an investment magician, increased its capital from an initial $270 million to more than $500 million late last year, as eager investors snapped up the new shares it offered. But this year it has been shrinking; since Jan. 1, redemptions of its shares have exceeded sales of new shares by $64.5 million.

Commenting on such developments, growth-fund managers strike a much more subdued note than in the past. It's long-run per-